

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 1098

(Senator Robinson, *et al.*)

Budget and Taxation

Ways and Means

Baltimore City - Tax Sales - Water Liens

This bill requires the tax collector in Baltimore City to withhold residential property from sale, if the taxes on the property consist only of a lien for unpaid water and sewer charges. The bill prohibits the Mayor and City Council of Baltimore City from selling a property solely to enforce a lien for unpaid charges for water and sewer service unless the property is not a residential property. The bill also requires the Baltimore City Department of Public Works to report specified information to the members of the Baltimore City Delegation to the General Assembly by October 1, 2019. **The bill takes effect October 1, 2018, and terminates December 31, 2019.**

Fiscal Summary

State Effect: None.

Local Effect: Baltimore City revenues may decrease, likely by a significant amount, during the effective period of the bill, as discussed below. Baltimore City expenditures for debt service may increase significantly. The Baltimore City Department of Public Works can provide the required information with existing resources.

Small Business Effect: Minimal.

Analysis

Bill Summary: The Baltimore City Department of Public Works must report on (1) specific outreach and education efforts made to houses of worship regarding payment plans, emergency assistance, and other assistance programs for delinquent water bills; (2) the administrative review process by which a customer may file a claim for the review

of or in order to dispute the customer's bill; and (3) alternative collection methods implemented after the bill takes effect.

Current Law: In Baltimore City, the tax collector must withhold owner-occupied residential property from sale when the total taxes on the property, including interest and penalties, amount to less than \$750.

In Baltimore City, the mayor and city council may not sell a property solely to enforce a lien for unpaid charges for water and sewer service unless (1) for a property other than owner-occupied residential property, the lien is for at least \$350 or, for an owner-occupied residential property, the lien is for at least \$750, and (2) the unpaid charges for water and sewer service are at least three quarters in arrears.

Generally, the mayor and city council may enforce a lien on a property other than owner-occupied residential property for unpaid water and sewer service that is less than \$350, if the property is being sold to enforce another lien. Additionally, the mayor and city council may enforce a lien on owner-occupied residential property for unpaid water and sewer service that is less than \$750, if the property is being sold to enforce another lien.

Background: The Baltimore Department of Public Works (BDPW) offers several programs to [assist qualifying customers](#) who are unable to pay their water bills. Options include bill adjustments, payment plans, or financial assistance. BDPW also provides specified credits and fee exemptions for financial hardship. However, in response to questions related to other proposed legislation, Baltimore City advised that delinquency rates of property owners on payment plans for delinquent water bills remain between 50% and 60% per year.

Baltimore City advises that there is a city-imposed moratorium on sending *owner-occupied* property to tax sale to enforce unpaid water bills, and that no property has been foreclosed due only to water liens in the past two years. The moratorium does not have a scheduled termination date.

Local Fiscal Effect: Baltimore City revenues will decrease, potentially by a significant amount, due to the bill's prohibition on tax sale proceedings to enforce liens due to water and sewer charges for *any* residential property. While there is a city-imposed moratorium on sending owner-occupied property to tax sale to enforce unpaid water bills in the city, that policy could be repealed at any time, and the properties then sold to recover past due water and sewer charges. In fiscal 2017, through the threat of foreclosure and the potential for the property being sold at a tax sale, Baltimore City recovered a significant amount of delinquent water and sewer charges. Baltimore City sent a total of approximately 7,000 water-only final bill and legal notices, representing a total of \$13.3 million in

delinquent accounts. Approximately 5,200 of those accounts, representing \$9.3 million, were paid prior to tax sale. Subsequently, Baltimore City recovered approximately \$6.4 million corresponding to the metered water portion of combined delinquent accounts through tax sale.

Additionally, repealing the statutory authority of Baltimore City to sell residential real property solely to enforce a lien for unpaid charges for water and sewer services, even temporarily, may harm utility bond ratings, resulting in higher debt servicing costs.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City; Judiciary (Administrative Office of the Courts); State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - March 19, 2018
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